

Dike-New Hartford Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2004

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**Dike-New Hartford Community School District**

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

**(Before September 2003 Election)**

|                  |                |      |
|------------------|----------------|------|
| Karla Koch-Greer | President      | 2004 |
| Thomas Boe       | Vice President | 2005 |
| Meinard Koop     | Board Member   | 2003 |
| Melissa Hinde    | Board Member   | 2004 |
| Lance Folkerts   | Board Member   | 2005 |

**Board of Education**

**(After September 2003 Election)**

|                  |                |      |
|------------------|----------------|------|
| Thomas Boe       | President      | 2005 |
| Meinard Koop     | Vice President | 2006 |
| Karla Koch-Greer | Board Member   | 2004 |
| Melissa Hinde    | Board Member   | 2004 |
| Lance Folkerts   | Board Member   | 2005 |

**School Officials**

|                  |                              |      |
|------------------|------------------------------|------|
| Lindsey Beecher  | Superintendent               | 2004 |
| Don Graves       | District Secretary/Treasurer | 2004 |
| Jane Christensen | District Assistant Treasurer | 2004 |
| Julie Merfeld    | District Business Manager    | 2004 |

Independent Auditor's Report

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Dike-New Hartford Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated August 6, 2004 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge  
Certified Public Accountant

August 6, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dike-New Hartford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,488,795 in fiscal 2003 to \$5,362,565 in fiscal 2004, while General Fund expenditures increased from \$5,387,146 in fiscal 2003 to \$5,485,486 in fiscal 2004. The District's General Fund balance decreased from \$1,163,815 in fiscal 2003 to \$1,041,917 in fiscal 2004, an 8% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dike-New Hartford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Dike-New Hartford Community School District Annual Financial Report**

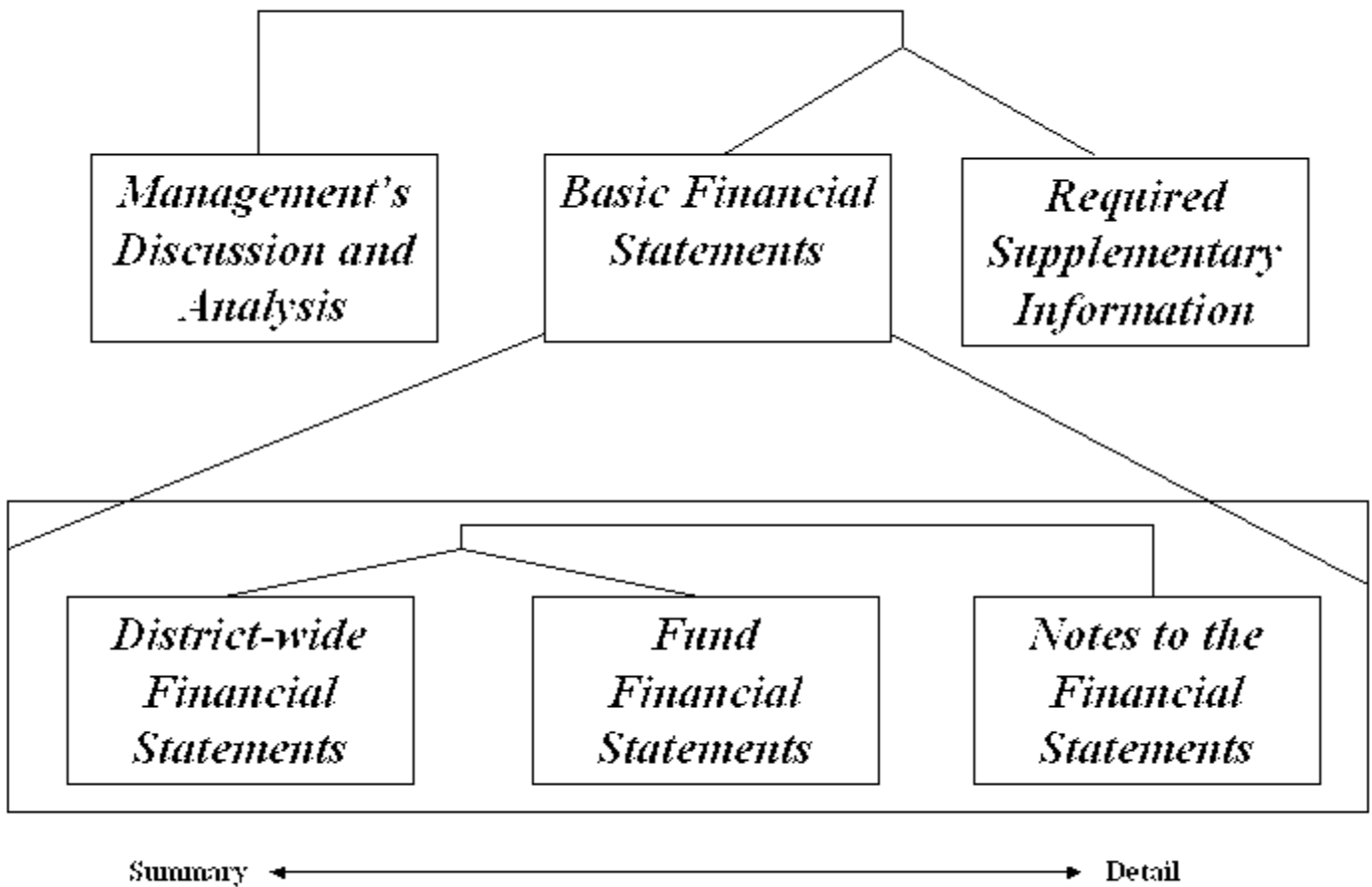


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

|  | Government-wide<br>Statements  | Fund Statements  |   |   |
|--|--|--|---|---|
|  |  | Governmental Funds   | Proprietary Funds   | Fiduciary Funds   |
| Scope  | Entire District<br>(except fiduciary<br>funds)   | The activities of the<br>District that are not<br>proprietary or<br>fiduciary, such as<br>special education<br>and building<br>maintenance   | Activities the District<br>operates similar to<br>private businesses:<br>food services and<br>adult education | Instances in which<br>the District<br>administers<br>resources on behalf<br>of someone else,<br>such as scholarship<br>programs             |
| Required financial<br>statements             | Statement of net<br>assets   | Balance sheet  | Statement of net<br>assets  | Statement of<br>fiduciary net assets  |
|  | Statement of<br>activities   | Statement of<br>revenues,<br>expenditures and<br>changes in fund<br>balances   | Statement of<br>revenues, expenses<br>and changes in fund<br>net assets                                       | Statement of<br>changes in fiduciary<br>net assets  |
|  |  |  | Statement of cash<br>flows  |   |
| Accounting basis<br>and measurement<br>focus | Accrual accounting<br>and economic<br>resources focus  | Modified accrual<br>accounting and<br>current financial<br>resources focus   | Accrual accounting<br>and economic<br>resources focus   | Accrual accounting<br>and economic<br>resources focus   |
| Type of asset/<br>liability information      | All assets and<br>liabilities, both<br>financial and capital,<br>short-term and long-<br>term  | Generally, assets<br>expected to be used<br>up and liabilities<br>that come due<br>during the year or<br>soon thereafter; no<br>capital assets or<br>long-term liabilities<br>included   | All assets and<br>liabilities, both<br>financial and capital,<br>short-term and long-<br>term                 | All assets and<br>liabilities, both short-<br>term and long-term;<br>funds do not currently<br>contain capital assets,<br>although they can |
| Type of inflow/<br>outflow information       | All revenues and<br>expenses during<br>year, regardless of<br>when cash is<br>received or paid | Revenues for which<br>cash is received<br>during or soon after<br>the end of the year;<br>expenditures when<br>goods or services<br>have been received<br>and the related<br>liability is due during<br>the year or soon<br>thereafter | All revenues and<br>expenses during the<br>year, regardless of<br>when cash is<br>received or paid            | All additions and<br>deductions during<br>the year, regardless of<br>when cash is<br>received or paid                                       |





## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**

|  | Governmental<br>Activities |             | Business Type<br>Activities |           | Total<br>District |             | Total<br>Change |
|--|----------------------------|-------------|-----------------------------|-----------|-------------------|-------------|-----------------|
|  | June 30,                   |             | June 30,                    |           | June 30,          |             | June 30,        |
|  | 2004                       | 2003        | 2004                        | 2003      | 2004              | 2003        | 2003-2004       |
| Current and other assets                           | \$5,072,939                | \$5,142,833 | \$173,148                   | \$144,810 | \$5,246,087       | \$5,287,643 | -.8%            |
| Capital assets                                     | 1,617,060                  | 1,558,514   | 17,977                      | 22,750    | 1,635,037         | 1,581,264   | 3.4%            |
| Total assets                                       | \$6,689,999                | \$6,701,347 | \$191,125                   | \$167,560 | \$6,881,124       | \$6,868,907 | .2%             |
| Long-term liabilities                              | \$793,064                  | \$880,347   | \$-                         | \$-       | \$793,064         | \$880,347   | -7.7%           |
| Other liabilities                                  | 3,651,174                  | 3,561,985   | 3,796                       | 3,227     | 3,654,970         | 3,565,212   | 2.5%            |
| Total liabilities                                  | \$4,444,238                | \$4,442,332 | \$3,796                     | \$3,227   | \$4,448,034       | \$4,445,559 | .0%             |
| Net assets:  |                            |             |                             |           |                   |             |                 |
| Invested in capital assets,<br>net of related debt | \$847,060                  | \$713,514   | \$17,977                    | \$22,750  | \$865,037         | \$736,264   | 17.5%           |
| Restricted   | 226,913                    | 221,827     | -                           | -         | 226,913           | 221,827     | 2.3%            |
| Unrestricted                                       | 1,171,788                  | 1,323,674   | 169,352                     | 141,583   | 1,341,140         | 1,465,257   | -8.5%           |
| Total net assets                                   | \$2,245,761                | \$2,259,015 | \$187,329                   | \$164,333 | \$2,433,090       | \$2,423,348 | .4%             |

The District's combined net assets increased by nearly 2%, or \$12,217, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$5,086, or 2.3% over the prior year

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$124,117, or 8.5%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

|  | Governmental<br>Activities | Business<br>Type<br>Activities | Total<br>District |
|--|----------------------------|--------------------------------|-------------------|
| Revenues:  |                            |                                |                   |
| Program revenues:  |                            |                                |                   |
| Charges for service  | \$509,873                  | \$208,118                      | \$717,991         |
| Operating grants, contributions and<br>restricted interest | 542,652                    | 97,657                         | 640,309           |
| Capital grants, contributions and<br>restricted interest   | -                          | -                              | -                 |
| General revenues:  |                            |                                |                   |
| Property tax   | 2,249,180                  | -                              | 2,249,180         |
| Local option sales and service tax                         | 14,741                     | -                              | 14,741            |
| Unrestricted state grants                                  | 2,533,902                  | -                              | 2,533,902         |
| Unrestricted investment earnings                           | 29,262                     | 238                            | 29,500            |
| Other  | 36,900                     | -                              | 36,900            |
| Total revenues   | \$5,916,510                | \$306,013                      | \$6,222,523       |
| Program expenses:  |                            |                                |                   |
| Governmental activities:                                   |                            |                                |                   |
| Instruction  | \$4,002,917                | \$484                          | \$4,003,401       |
| Support services   | 1,608,202                  | -                              | 1,608,202         |
| Non-instructional programs                                 | 3,077                      | 282,533                        | 285,610           |
| Other expenses   | 313,001                    | -                              | 313,001           |
| Total expenses   | \$5,927,197                | \$283,017                      | \$6,210,214       |
| Change in net assets                                       | \$-10,687                  | \$22,996                       | \$12,309          |

Property tax and unrestricted state grants account for 80.8% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94.7% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$5,916,510 and expenses were \$5,927,197. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

|                            | Total Cost<br>of Services | Net Cost<br>of Services |
|----------------------------|---------------------------|-------------------------|
| Instruction                | \$4,002,917               | \$3,212,562             |
| Support Services           | 1,608,202                 | 1,567,139               |
| Non-instructional programs | 3,077                     | 3,077                   |
| Other expenses             | 313,001                   | 91,894                  |
| Totals                     | \$5,927,197               | \$4,874,672             |

- The cost financed by users of the District's programs was \$509,873.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$542,652.
- The net cost of governmental activities was financed with \$2,263,921 in property and other taxes and \$2,533,902 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$306,013 and expenses were \$283,017. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dike-New Hartford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,423,559, a decrease from last year's ending fund balances of \$1,580,848.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,163,815 to \$1,041,917, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$81,287 in fiscal 2003 to \$77,775 in fiscal 2004.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Dike-New Hartford Community School District amended its annual budget one time to reflect additional expenditures associated with building repairs.

The District's receipts were \$84,119 less than budgeted receipts, a variance of 1.4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$1.6 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$128,637.

The original cost of the District's capital assets was \$9 million. Governmental funds account for \$8.9 million, with the remainder of \$0.06 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

|                                      | Governmental<br>Activities |             | Business Type<br>Activities |          | Total<br>District |             | Total<br>Change |
|--------------------------------------|----------------------------|-------------|-----------------------------|----------|-------------------|-------------|-----------------|
|                                      | June 30,                   |             | June 30,                    |          | June 30,          |             | June 30,        |
|                                      | 2004                       | 2003        | 2004                        | 2003     | 2004              | 2003        | 2003-2004       |
| Land                                 | \$100,000                  | \$100,000   | \$-                         | \$-      | \$100,000         | \$100,000   | 0%              |
| Buildings                            | 1,171,911                  | 1,218,760   | -                           | -        | 1,171,911         | 1,218,760   | 3.8%            |
| Improvements other than<br>buildings | 21,039                     | 22,266      | -                           | -        | 21,039            | 22,266      | 5.5%            |
| Furniture and equipment              | 324,110                    | 217,488     | 17,977                      | 22,750   | 342,087           | 240,238     | 42.4%           |
| Totals                               | \$1,617,060                | \$1,558,514 | \$17,977                    | \$22,750 | \$1,635,037       | \$1,581,264 | 3.4%            |

### Long-Term Debt

At June 30, 2004, the District had \$793,046 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

|                          | Outstanding Long-term Obligations |           |           |
|--------------------------|-----------------------------------|-----------|-----------|
|                          | Total                             |           | Total     |
|                          | District                          |           | Change    |
|                          | June 30,                          |           | June 30,  |
|                          | 2004                              | 2003      | 2003-2004 |
| General obligation bonds | \$770,000                         | \$845,000 | 8.9%      |
| Early retirement         | 23,064                            | 35,347    | 34.8%     |
| Totals                   | \$793,064                         | \$880,347 | 10%       |

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

## **Basic Financial Statements**



## Dike-New Hartford Community School District

## Statement of Net Assets

June 30, 2004

|   | Govern-<br>mental<br>Activities | Business<br>Type<br>Activities | Total               |
|---|---------------------------------|--------------------------------|---------------------|
| <b>Assets</b>                                   |                                 |                                |                     |
| Cash and Cash Equivalents:                      |                                 |                                |                     |
| ISCAP   | \$ 911,494                      | \$ -                           | \$ 911,494          |
| Other   | 2,124,033                       | 165,924                        | 2,289,957           |
| Receivables:                                    |                                 |                                |                     |
| Property tax:                                   |                                 |                                |                     |
| Delinquent                                      | 31,556                          | -                              | 31,556              |
| Succeeding year                                 | 1,991,314                       | -                              | 1,991,314           |
| Accounts  | 1,143                           | 949                            | 2,092               |
| Accrued interest:                               |                                 |                                |                     |
| ISCAP   | 2,301                           | -                              | 2,301               |
| Due from other governments                      | 11,098                          |                                | 11,098              |
| Inventories                                     | -                               | 6,275                          | 6,275               |
| Capital assets, net of accumulated depreciation | 1,617,060                       | 17,977                         | 1,635,037           |
| <b>Total Assets</b>                             | <b>\$ 6,689,999</b>             | <b>\$ 191,125</b>              | <b>\$ 6,881,124</b> |
| <b>Liabilities</b>                              |                                 |                                |                     |
| Excess of warrants issued over bank balance     | \$ 151,538                      | \$ -                           | \$ 151,538          |
| Accounts payable                                | 83,187                          | 801                            | 83,988              |
| Salaries and benefits payable                   | 511,971                         | 66                             | 512,037             |
| Other current liabilities                       | 1,882                           |                                | 1,882               |
| Accrued interest payable                        | 1,794                           | -                              | 1,794               |
| Deferred revenue-succeeding year property tax   | 1,991,314                       | -                              | 1,991,314           |
| Deferred revenue-other                          | -                               | 2,929                          | 2,929               |
| ISCAP warrants payable                          | 906,000                         | -                              | 906,000             |
| ISCAP accrued interest payable                  | 3,488                           | -                              | 3,488               |
| Long-term liabilities:                          |                                 |                                |                     |
| Portion due within one year:                    |                                 |                                |                     |
| General obligation bonds payable                | 80,000                          | -                              | 80,000              |
| Early retirement                                | 13,770                          | -                              | 13,770              |
| Portion due after one year:                     |                                 |                                |                     |
| General obligation bonds payable                | 690,000                         | -                              | 690,000             |
| Early retirement                                | 9,294                           |                                | 9,294               |
| <b>Total Liabilities</b>                        | <b>\$ 4,444,238</b>             | <b>\$ 3,796</b>                | <b>\$ 4,448,034</b> |
| <b>Net Assets</b>                               |                                 |                                |                     |
| Invested in capital assets, net of related debt | \$ 847,060                      | \$ 17,977                      | \$ 865,037          |
| Restricted for:                                 |                                 |                                |                     |
| Management levy                                 | 25,614                          | -                              | 25,614              |
| Debt service                                    | 128,671                         | -                              | 128,671             |
| Other special revenue purposes                  | 72,628                          | -                              | 72,628              |
| Unrestricted                                    | 1,171,788                       | 169,352                        | 1,341,140           |
| <b>Total Net Assets</b>                         | <b>\$ 2,245,761</b>             | <b>\$ 187,329</b>              | <b>\$ 2,433,090</b> |

See notes to financial statements.

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

|   |                     |                      | Program Revenues  |   |
|---|---------------------|----------------------|---|---|
|   |                     |                      | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
|   | Expenses            | Charges for Services |   |   |
| <b><u>Functions/Programs</u></b>            |                     |                      |   |   |
| Governmental Activities:                    |                     |                      |   |   |
| Instruction:                                |                     |                      |   |   |
| Regular instruction                         | \$ 2,602,036        | \$ 272,566           | \$ 258,828  | \$ -  |
| Special instruction                         | 770,034             |                      | 49,988  | -   |
| Other instruction                           | 630,847             | 200,006              | 8,967   | -   |
|   | <u>\$ 4,002,917</u> | <u>\$ 472,572</u>    | <u>\$ 317,783</u>                                       | <u>\$ -</u>   |
| Support Services:                           |                     |                      |   |   |
| Student services                            | \$ 125,028          | \$ -                 | \$ -  | \$ -  |
| Instructional staff services                | 142,427             | -                    | -   | -   |
| Administration services                     | 613,234             | -                    | -   | -   |
| Operation and maintenance of plant services | 466,595             | 465                  | -   | -   |
| Transportation services                     | 259,325             | 36,836               | 3,762   | -   |
| Central support                             | 1,593               | -                    | -   | -   |
|   | <u>\$ 1,608,202</u> | <u>\$ 37,301</u>     | <u>\$ 3,762</u>   | <u>\$ -</u>   |
| Non-instructional programs                  | <u>\$ 3,077</u>     | <u>\$ -</u>          | <u>\$ -</u>   | <u>\$ -</u>   |
| Other Expenditures:                         |                     |                      |   |   |
| Facilities acquisition                      | \$ 62,004           | \$ -                 | \$ -  | \$ -  |
| Long-term debt interest & other costs       | 28,399              | -                    | -   | -   |
| AEA flow-through                            | 221,107             | -                    | 221,107   | -   |
| Depreciation (unallocated) *                | 1,491               | -                    | -   | -   |
|   | <u>\$ 313,001</u>   | <u>\$ -</u>          | <u>\$ 221,107</u>                                       | <u>\$ -</u>   |
| Total Governmental Activities               | <u>\$ 5,927,197</u> | <u>\$ 509,873</u>    | <u>\$ 542,652</u>                                       | <u>\$ -</u>   |
| Business Type Activities:                   |                     |                      |   |   |
| Non-Instructional Programs:                 |                     |                      |   |   |
| Food service operations                     | \$ 282,533          | \$ 205,692           | \$ 97,657   | \$ -  |
| Instructional Program:                      |                     |                      |   |   |
| Internal service                            | 484                 | 2,426                | -   | -   |
| Total Business Type Activities              | <u>\$ 283,017</u>   | <u>\$ 208,118</u>    | <u>\$ 97,657</u>  | <u>\$ -</u>   |
| Total                                       | <u>\$ 6,210,214</u> | <u>\$ 717,991</u>    | <u>\$ 640,309</u>                                       | <u>\$ -</u>   |

Net (Expense) Revenue  
And Changes in Net Assets

| Governmental<br>Activities |            | Business<br>Type<br>Activities |        | Total         |
|----------------------------|------------|--------------------------------|--------|---------------|
| \$                         | -2,070,642 | \$                             | -      | \$ -2,070,642 |
|                            | -720,046   |                                | -      | -720,046      |
|                            | -421,874   |                                | -      | -421,874      |
| \$                         | -3,212,562 | \$                             | -      | \$ -3,212,562 |
| \$                         | -125,028   | \$                             | -      | \$ -125,028   |
|                            | -142,427   |                                | -      | -142,427      |
|                            | -613,234   |                                | -      | -613,234      |
|                            | -466,130   |                                | -      | -466,130      |
|                            | -218,727   |                                | -      | -218,727      |
|                            | -1,593     |                                | -      | -1,593        |
| \$                         | -1,567,139 | \$                             | -      | \$ -1,567,139 |
| \$                         | -3,077     | \$                             | -      | \$ -3,077     |
| \$                         | -62,004    | \$                             | -      | \$ -62,004    |
|                            | -28,399    |                                | -      | -28,399       |
|                            | -          |                                | -      | -             |
|                            | -1,491     |                                | -      | -1,491        |
| \$                         | -91,894    | \$                             | -      | \$ -91,894    |
| \$                         | -4,874,672 | \$                             | -      | \$ -4,874,672 |
| \$                         | -          | \$                             | 20,816 | \$ 20,816     |
|                            | -          |                                | 1,942  | 1,942         |
| \$                         | -          | \$                             | 22,758 | \$ 22,758     |
| \$                         | -4,874,672 | \$                             | 22,758 | \$ -4,851,914 |

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

|   | Program Revenues           |  |  |
|---|----------------------------|--|--|
|   | Charges<br>for<br>Services | Operating<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest |
| Expenses                                  |                            |  |  |
| <b>General Revenues:</b>                  |                            |  |  |
| Property Tax Levied For:                  |                            |  |  |
| General purposes                          |                            |  |  |
| Debt service                              |                            |  |  |
| Capital outlay                            |                            |  |  |
| Local option sales and services tax       |                            |  |  |
| Unrestricted state grants                 |                            |  |  |
| Unrestricted investment earnings          |                            |  |  |
| Other                                     |                            |  |  |
| Total General Revenues                    |                            |  |  |
| Change in net assets                      |                            |  |  |
| Net assets beginning of year, as restated |                            |  |  |
| Net Assets End of Year                    |                            |  |  |

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

| Governmental<br>Activities |           | Business<br>Type<br>Activities |         | Total        |
|----------------------------|-----------|--------------------------------|---------|--------------|
| \$                         | 1,998,880 | \$                             | -       | \$ 1,998,880 |
|                            | 108,993   |                                | -       | 108,993      |
|                            | 141,307   |                                | -       | 141,307      |
|                            | 14,741    |                                | -       | 14,741       |
|                            | 2,533,902 |                                | -       | 2,533,902    |
|                            | 29,262    |                                | 238     | 29,500       |
|                            | 36,900    |                                | -       | 36,900       |
| \$                         | 4,863,985 | \$                             | 238     | \$ 4,864,223 |
| \$                         | -10,687   | \$                             | 22,996  | \$ 12,309    |
|                            | 2,256,448 |                                | 164,333 | 2,420,781    |
| \$                         | 2,245,761 | \$                             | 187,329 | \$ 2,433,090 |

## Dike-New Hartford Community School District

Balance Sheet  
Governmental Funds

June 30, 2004

|   | General             | Non-major<br>Special<br>Revenue | Total               |
|---|---------------------|---------------------------------|---------------------|
| <b>Assets</b>                               |                     |                                 |                     |
| Cash and Pooled Investments:                |                     |                                 |                     |
| ISCAP                                       | \$ 911,494          | \$ -                            | \$ 911,494          |
| Other                                       | 1,704,685           | 419,348                         | 2,124,033           |
| Receivables:                                |                     |                                 |                     |
| Property Tax:                               |                     |                                 |                     |
| Delinquent                                  | 26,903              | 4,653                           | 31,556              |
| Succeeding year                             | 1,694,588           | 296,726                         | 1,991,314           |
| Accounts                                    | -                   | 1,143                           | 1,143               |
| Accrued Interest:                           |                     |                                 |                     |
| ISCAP                                       | 2,301               | -                               | 2,301               |
| Due from other governments                  | 11,098              | -                               | 11,098              |
| <b>Total Assets</b>                         | <b>\$ 4,351,069</b> | <b>\$ 721,870</b>               | <b>\$ 5,072,939</b> |
| <b>Liabilities and Fund Balances</b>        |                     |                                 |                     |
| Liabilities:                                |                     |                                 |                     |
| Excess of warrants issued over bank balance | \$ 118,961          | \$ 32,577                       | \$ 151,538          |
| Accounts payable                            | 72,262              | 10,925                          | 83,187              |
| Salaries and benefits payable               | 511,971             | -                               | 511,971             |
| Other current liabilities                   | 1,882               | -                               | 1,882               |
| ISCAP warrants payable                      | 906,000             | -                               | 906,000             |
| ISCAP accrued interest payable              | 3,488               | -                               | 3,488               |
| Deferred Revenue:                           |                     |                                 |                     |
| Succeeding year property tax                | 1,694,588           | 296,726                         | 1,991,314           |
| Total Liabilities                           | \$ 3,309,152        | \$ 340,228                      | \$ 3,649,380        |
| Fund Balances:                              |                     |                                 |                     |
| Reserved for management                     | \$ -                | \$ 25,614                       | \$ 25,614           |
| Reserved for debt service                   | -                   | 128,671                         | 128,671             |
| Other reserved                              | 72,628              | -                               | 72,628              |
| Unreserved                                  | 969,289             | 227,357                         | 1,196,646           |
| Total Fund Balances                         | \$ 1,041,917        | \$ 381,642                      | \$ 1,423,559        |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 4,351,069</b> | <b>\$ 721,870</b>               | <b>\$ 5,072,939</b> |

See notes to financial statements.

## Dike-New Hartford Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2004

|  |                     |
|--|---------------------|
| <b>Total fund balances of governmental funds (page 16)</b>   | \$ 1,423,559        |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>  |                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds                            | 1,617,060           |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds    | -1,794              |
| Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds | <u>-793,064</u>     |
| <b>Net assets of governmental activities (page 13)</b>   | <u>\$ 2,245,761</u> |

## Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2004

|   | General      | Non-Major<br>Special<br>Revenue | Total        |
|---|--------------|---------------------------------|--------------|
| Revenues:   |              |                                 |              |
| Local Sources:  |              |                                 |              |
| Local tax   | \$ 1,947,277 | \$ 300,128                      | \$ 2,247,405 |
| Tuition   | 162,031      | -                               | 162,031      |
| Other   | 175,194      | 252,528                         | 427,722      |
| Intermediate sources                                      | -            | -                               | -            |
| State sources   | 2,966,878    | 266                             | 2,967,144    |
| Federal sources   | 111,185      | -                               | 111,185      |
| Total Revenues  | \$ 5,362,565 | \$ 552,922                      | \$ 5,915,487 |
| Expenditures:   |              |                                 |              |
| Current:  |              |                                 |              |
| Instruction:  |              |                                 |              |
| Regular instruction                                       | \$ 2,562,260 | \$ 50,578                       | \$ 2,612,838 |
| Special instruction                                       | 770,373      | -                               | 770,373      |
| Other instruction   | 395,364      | 237,302                         | 632,666      |
|   | \$ 3,727,997 | \$ 287,880                      | \$ 4,015,877 |
| Support Services:   |              |                                 |              |
| Student services  | \$ 125,028   | \$ -                            | \$ 125,028   |
| Instructional staff services                              | 141,705      | -                               | 141,705      |
| Administration services                                   | 603,406      | 6,004                           | 609,410      |
| Operation and maintenance of plant services               | 443,348      | 35,856                          | 479,204      |
| Transportation services                                   | 219,813      | 83,073                          | 302,886      |
| Community services  | 3,082        | -                               | 3,082        |
|   | \$ 1,536,382 | \$ 124,933                      | \$ 1,661,315 |
| Non-instructional programs                                | \$ -         | \$ 3,077                        | \$ 3,077     |
| Other Expenditures:                                       |              |                                 |              |
| Facilities acquisition                                    | \$ -         | \$ 68,251                       | \$ 68,251    |
| Long-Term Debt:   |              |                                 |              |
| Principal   | -            | 75,000                          | 75,000       |
| Interest and fiscal charges                               | -            | 29,172                          | 29,172       |
| AEA flow-through  | 221,107      | -                               | 221,107      |
|   | \$ 221,107   | \$ 172,423                      | \$ 393,530   |
| Total Expenditures  | \$ 5,485,486 | \$ 588,313                      | \$ 6,073,799 |
| Excess (deficiency) of revenues over (under) expenditures | \$ -122,921  | \$ -35,391                      | \$ -158,312  |
| Other Financing Sources (Uses):                           |              |                                 |              |
| Sale of equipment and materials                           | \$ 1,023     | \$ -                            | \$ 1,023     |
| Net change in fund balances                               | \$ -121,898  | \$ -35,391                      | \$ -157,289  |
| Fund balances beginning of year, as restated (Note 9)     | 1,163,815    | 417,033                         | 1,580,848    |
| Fund Balances End of Year                                 | \$ 1,041,917 | \$ 381,642                      | \$ 1,423,559 |

See notes to financial statements.



## Dike-New Hartford Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2004**

**Net change in fund balances – total governmental funds (page 18)** \$ -157,289

*Amounts reported for governmental activities in the Statement of Activities are  
different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

|                                 |            |        |
|---------------------------------|------------|--------|
| Expenditures for capital assets | \$ 187,183 |        |
| Depreciation expense            | -128,637   | 58,546 |
|                                 |            |        |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

|        |  |        |
|--------|--|--------|
| Repaid |  | 75,000 |
|--------|--|--------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                  |  |        |
|------------------|--|--------|
| Early retirement |  | 12,283 |
|                  |  |        |

|  |  |                   |
|--|--|-------------------|
| <b>Change in Net Assets of Governmental Activities (page 15)</b> |  | <b>\$ -10,687</b> |
|  |  |                   |

## Dike-New Hartford Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2004

|   | School<br>Nutrition | Internal<br>Service | Total             |
|---|---------------------|---------------------|-------------------|
| <b>Assets</b>                                   |                     |                     |                   |
| Cash and cash equivalents                       | \$ 47,875           | \$ 118,049          | \$ 165,924        |
| Accounts receivable                             | 949                 | -                   | 949               |
| Inventories                                     | 6,275               | -                   | 6,275             |
| Capital assets, net of accumulated depreciation | 17,977              | -                   | 17,977            |
| <b>Total Assets</b>                             | <b>\$ 73,076</b>    | <b>\$ 118,049</b>   | <b>\$ 191,125</b> |
| <b>Liabilities</b>                              |                     |                     |                   |
| Accounts payable                                | \$ 801              | \$ -                | \$ 801            |
| Salaries and benefits payable                   | 66                  | -                   | 66                |
| Deferred revenue                                | 2,929               | -                   | 2,929             |
| <b>Total Liabilities</b>                        | <b>\$ 3,796</b>     | <b>\$ -</b>         | <b>\$ 3,796</b>   |
| <b>Net Assets</b>                               |                     |                     |                   |
| Invested in capital assets, net of related debt | \$ 17,977           | \$ -                | \$ 17,977         |
| Unrestricted                                    | 51,303              | 118,049             | 169,352           |
| <b>Total Net Assets</b>                         | <b>\$ 69,280</b>    | <b>\$ 118,049</b>   | <b>\$ 187,329</b> |

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2004**

|                              | <u>School<br/>Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues:          |                             |
| Local sources:               |                             |
| Charges for service          | \$ 205,692                  |
| Operating expenses:          |                             |
| Non-instructional programs:  |                             |
| Food service operations:     |                             |
| Salaries                     | \$ 89,785                   |
| Benefits                     | 23,345                      |
| Purchased services           | 4,745                       |
| Supplies                     | 159,885                     |
| Depreciation                 | 4,773                       |
| Total operating expenses     | \$ 282,533                  |
| Operating loss               | \$ -76,841                  |
| Non-operating revenues:      |                             |
| State sources                | \$ 4,201                    |
| Federal sources              | 93,456                      |
| Interest income              | 238                         |
| Total non-operating revenues | \$ 97,895                   |
| Change in net assets         | \$ 21,054                   |
| Net assets beginning of year | 48,226                      |
| Net Assets End of Year       | \$ 69,280                   |

Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

|   | School<br>Nutrition      |
|---|--------------------------|
| Cash flows from operating activities:   |                          |
| Cash received from sale of lunches and breakfasts                                 | \$ 206,244               |
| Cash paid to employees for services   | -113,781                 |
| Cash paid to suppliers for goods or services                                      | -143,774                 |
| Net cash used by operating activities   | <u>\$ -51,311</u>        |
| Cash flows from non-capital financing activities:                                 |                          |
| State grants received   | \$ 4,201                 |
| Federal grants received   | 75,532                   |
| Net cash provided by non-capital financing activities                             | <u>\$ 79,733</u>         |
| Cash flows from investing activities:   |                          |
| Interest on investments   | <u>\$ 238</u>            |
| Net increase in cash and cash equivalents   | \$ 28,660                |
| Cash and cash equivalents beginning of year                                       | <u>19,215</u>            |
| Cash and Cash Equivalents End of Year   | <u><u>\$ 47,875</u></u>  |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b> |                          |
| Operating loss  | \$ -76,841               |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                          |
| Commodities used  | 25,451                   |
| Depreciation  | 4,773                    |
| (Increase) in inventories   | -4,314                   |
| (Increase) in accounts receivable   | -949                     |
| Increase in accounts payable  | 554                      |
| (Decrease) in salaries and benefits payable                                       | -579                     |
| Increase in deferred revenue  | 594                      |
| Net Cash Used by Operating Activities   | <u><u>\$ -51,311</u></u> |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$17,924 of federal commodities.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2004**

|                              | <u>Internal<br/>Service</u> |
|------------------------------|-----------------------------|
| Operating revenues:          |                             |
| Local sources:               |                             |
| Other revenue                | \$ 2,426                    |
| Operating expenses:          |                             |
| Instruction:                 |                             |
| Benefits                     | \$ 484                      |
| Operating income             | \$ 1,942                    |
| Change in net assets         | \$ 1,942                    |
| Net assets beginning of year | <u>116,107</u>              |
| Net Assets End of Year       | <u>\$ 118,049</u>           |

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

|   | Internal<br>Service |
|---|---------------------|
| Cash flows from operating activities:   |                     |
| Cash received from collections  | \$ 2,426            |
| Cash payments for employee benefits   | -484                |
| Net cash provided by operating activities   | <u>\$ 1,942</u>     |
| Net increase in cash and cash equivalents   | \$ 1,942            |
| Cash and cash equivalents beginning of year   | <u>116,107</u>      |
| Cash and Cash Equivalents End of Year   | <u>\$ 118,049</u>   |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>                               |                     |
| Operating income  | \$ 1,942            |
| Adjustments to reconcile operating income to net cash used by operating activities                                    | -                   |
| Net Cash Provided by Operating Activities   | <u>\$ 1,942</u>     |
| <b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b> |                     |
| Current Assets:   |                     |
| Cash  | <u>\$ 118,049</u>   |

See notes to financial statements.

## **Dike-New Hartford Community School District**

### **Notes to Financial Statements**

**June 30, 2004**

#### **(1) Summary of Significant Accounting Policies**

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Dike-New Hartford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.



Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 2,000 |
| Buildings                         | 10,000   |
| Improvements other than buildings | 10,000   |
| Furniture and equipment:          |          |
| School Nutrition Fund equipment   | 500      |
| Other furniture and equipment     | 2,000    |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class                       | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings                         | 50 years                          |
| Improvements other than buildings | 20 – 50 years                     |
| Furniture and equipment           | 5 – 15 years                      |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$1,958,470 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year-end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

| Series     | Warrant Date | Final Warrant Maturity | Investments | Accrued Interest Receivable | Warrants Payable | Accrued Interest Payable | Unamortized Premium On Warrants |
|------------|--------------|------------------------|-------------|-----------------------------|------------------|--------------------------|---------------------------------|
| 2003-2004B | 1/30/04      | 1/28/05                | \$ 422,860  | \$ 2,301                    | \$ 420,000       | \$ 3,488                 | \$ 2,024                        |
| 2004-2005A | 6/30/04      | 6/30/05                | 488,634     | -                           | 486,000          | -                        | -142                            |
| Total      |              |                        | \$ 911,494  | \$ 2,301                    | \$ 906,000       | \$ 3,488                 | \$ 1,882                        |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

| Series   | Balance<br>Beginning<br>Of Year | Advances<br>Received | Advances<br>Repaid | Balance<br>End of<br>Year |
|----------|---------------------------------|----------------------|--------------------|---------------------------|
| 2003-04B | \$ -                            | \$ -                 | \$ -               | \$ -                      |
| Total    | \$ -                            | \$ -                 | \$ -               | \$ -                      |

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| Series   | Interest<br>Rates on<br>Warrants | Interest<br>Rates on<br>Investments |
|----------|----------------------------------|-------------------------------------|
| 2003-04B | 2.00%                            | 1.392%                              |
| 2004-05A | 3.00%                            | 2.463%                              |

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

|   | Balance<br>Beginning<br>Of Year, as<br>Restated<br>(Note 9) | Increases  | Decreases | Balance<br>End<br>Of Year |
|---|---|------------|-----------|---------------------------|
| <b>Governmental Activities:</b>             |   |            |           |                           |
| Capital assets not being depreciated:       |   |            |           |                           |
| Land  | \$ 100,000  | \$ -       | \$ -      | \$ 100,000                |
| Total capital assets not being depreciated  | \$ 100,000  | \$ -       | \$ -      | \$ 100,000                |
| Capital assets being depreciated:           |   |            |           |                           |
| Buildings                                   | \$ 4,807,024  | \$ -       | \$ -      | \$ 4,807,024              |
| Improvements other than buildings           | 630,335   | -          | -         | 630,335                   |
| Furniture and equipment                     | 3,229,235   | 187,183    | -         | 3,416,418                 |
| Total capital assets being depreciated      | \$ 8,666,594  | \$ 187,183 | \$ -      | \$ 8,853,777              |
| Less accumulated depreciation for:          |   |            |           |                           |
| Buildings                                   | \$ 3,588,264  | \$ 46,849  | \$ -      | \$ 3,635,113              |
| Improvements other than buildings           | 608,070   | 1,226      | -         | 609,296                   |
| Furniture and equipment                     | 3,011,746   | 80,562     | -         | 3,092,308                 |
| Total accumulated depreciation              | \$ 7,208,080  | \$ 128,637 | \$ -      | \$ 7,336,717              |
| Total capital assets being depreciated, net | \$ 1,458,514  | \$ 58,546  | \$ -      | \$ 1,517,060              |
| Governmental Activities Capital Assets, Net | \$ 1,558,514  | \$ 58,546  | \$ -      | \$ 1,617,060              |

|  | Balance<br>Beginning<br>Of Year | Increases | Decreases | Balance<br>End<br>Of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| <b>Business type activities:</b>             |                                 |           |           |                           |
| Furniture and equipment                      | \$ 61,174                       | \$ -      | \$ 3,900  | \$ 57,274                 |
| Less accumulated depreciation                | 38,424                          | 4,773     | 3,900     | 39,297                    |
| Business Type Activities Capital Assets, Net | \$ 22,750                       | \$ -4,773 | \$ -      | \$ 17,977                 |

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

|         |           |
|---------|-----------|
| Regular | \$ 89,015 |
| Special | -         |
| Other   | 582       |

Support services:

|                                    |        |
|------------------------------------|--------|
| Instructional staff                | 858    |
| Administration                     | 3,824  |
| Operation and maintenance of plant | 8,041  |
| Transportation                     | 24,826 |

\$ 127,146

Unallocated

1,491

Total Depreciation Expense – Governmental Activities

\$ 128,637

Business Type Activities:

|                         |          |
|-------------------------|----------|
| Food service operations | \$ 4,773 |
|-------------------------|----------|

**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

|                          | Balance<br>Beginning<br>Of Year | Additions | Reductions | Balance<br>End<br>Of Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| General obligation bonds | \$ 845,000                      | \$ -      | \$ 75,000  | \$ 770,000                | \$ 80,000                 |
| Early retirement         | 35,347                          | -         | 12,283     | 23,064                    | 13,770                    |
| Total                    | \$ 880,347                      | \$ -      | \$ 87,283  | \$ 793,064                | \$ 93,770                 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$20,000 per individual. Early retirement expenditures for the year ended June 30, 2004 totaled \$12,283.

## General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Principal  | Interest   | Total      |
|-------------------------|------------|------------|------------|
| 2005                    | \$ 80,000  | \$ 21,528  | \$ 101,528 |
| 2006                    | 80,000     | 19,847     | 99,847     |
| 2007                    | 85,000     | 18,168     | 103,168    |
| 2008                    | 90,000     | 16,340     | 106,340    |
| 2009                    | 90,000     | 14,135     | 104,135    |
| 2010                    | 90,000     | 11,570     | 101,570    |
| 2011                    | 100,000    | 8,780      | 108,780    |
| 2012                    | 100,000    | 5,430      | 105,430    |
| 2013                    | 55,000     | 1,980      | 56,980     |
| Total                   | \$ 770,000 | \$ 117,778 | \$ 887,778 |

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$188,581, \$188,445 and \$184,626, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

Dike-New Hartford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$221,107 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

|  | Fund                |                                 |                     |
|--|---------------------|---------------------------------|---------------------|
|  | General             | Non-major<br>Special<br>Revenue | Total               |
| Net assets June 30, 2003, as previously reported               | \$ 1,163,815        | \$ 417,033                      | \$ 1,580,848        |
| GASB Interpretation 6 adjustments                              | -                   | -                               | -                   |
| Net Assets July 1, 2003, as Restated for Governmental Funds    | <u>\$ 1,163,815</u> | <u>\$ 417,033</u>               | <u>\$ 1,580,848</u> |
| GASB 34 Adjustments:   |                     |                                 |                     |
| Capital assets, net of accumulated depreciation of \$7,208,080 |                     |                                 | 1,558,514           |
| Long-Term Liabilities:   |                     |                                 |                     |
| Bonds and notes  |                     | \$ 845,000                      |                     |
| Early retirement   |                     | <u>35,347</u>                   | -880,347            |
| Accrued interest payable                                       |                     |                                 | <u>-2,567</u>       |
| Net Assets July 1, 2003, as Restated                           |                     |                                 | <u>\$ 2,256,448</u> |

## **Required Supplementary Information**



**Dike-New Hartford Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2004**

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts:   |                                 |                                |
| Local sources   | \$ 2,837,158                    | \$ 205,930                     |
| Intermediate sources  | -                               | -                              |
| State sources   | 2,967,144                       | 4,201                          |
| Federal sources   | 111,185                         | 93,456                         |
| Total Receipts  | <u>\$ 5,915,487</u>             | <u>\$ 303,587</u>              |
| Disbursements:  |                                 |                                |
| Instruction   | \$ 4,015,877                    | \$ -                           |
| Support services  | 1,661,315                       | -                              |
| Non-instructional programs  | 3,077                           | 282,533                        |
| Other expenditures  | 393,530                         | -                              |
| Total Disbursements   | <u>\$ 6,073,799</u>             | <u>\$ 282,533</u>              |
| Excess (deficiency) of receipts over (under) disbursements  | \$ -158,312                     | \$ 21,054                      |
| Other financing sources, net  | <u>1,023</u>                    | <u>-</u>                       |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | \$ -157,289                     | \$ 21,054                      |
| Balances beginning of year  | <u>1,580,848</u>                | <u>48,226</u>                  |
| Balances End of Year  | <u><u>\$ 1,423,559</u></u>      | <u><u>\$ 69,280</u></u>        |

See accompanying independent auditor's report.

| Total  |           | Budgeted Amounts |              | Final To |          |
|--------|-----------|------------------|--------------|----------|----------|
| Actual |           | Original         | Final        | Actual   |          |
|        |           |                  |              | Variance |          |
| \$     | 3,043,088 | \$ 2,999,745     | \$ 2,999,745 | \$       | 43,343   |
|        | -         | 1,000            | 1,000        |          | -1,000   |
|        | 2,971,345 | 3,131,448        | 3,131,448    |          | -160,103 |
|        | 204,641   | 171,000          | 171,000      |          | 33,641   |
| \$     | 6,219,074 | \$ 6,303,193     | \$ 6,303,193 | \$       | -84,119  |
|        |           |                  |              |          |          |
| \$     | 4,015,877 | \$ 4,408,007     | \$ 4,408,007 | \$       | 392,130  |
|        | 1,661,315 | 1,569,400        | 1,569,400    |          | -91,915  |
|        | 285,610   | 301,600          | 301,600      |          | 15,990   |
|        | 393,530   | 428,993          | 437,993      |          | 44,463   |
| \$     | 6,356,332 | \$ 6,708,000     | \$ 6,717,000 | \$       | 360,668  |
|        |           |                  |              |          |          |
| \$     | -137,258  | \$ -404,807      | \$ -413,807  | \$       | -276,549 |
|        |           |                  |              |          |          |
| \$     | 1,023     | \$ 2,500         | \$ 2,500     | \$       | 1,477    |
|        |           |                  |              |          |          |
| \$     | -136,235  | \$ -402,307      | \$ -411,307  | \$       | -275,072 |
|        | 1,629,074 | 1,383,844        | 1,383,844    |          | -245,230 |
|        |           |                  |              |          |          |
| \$     | 1,492,839 | \$ 981,537       | \$ 972,537   | \$       | -520,302 |

**Dike-New Hartford Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis of accounting.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$9,000.

During the year ended June 30, 2004, disbursements in the support services functions exceeded the amount budgeted.

## **Other Supplementary Information**

## Dike-New Hartford Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2004

|   | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service   | Capital<br>Projects | Total             |
|---|--------------------|---------------------|--|-------------------|---------------------|-------------------|
| <b>Assets</b>                               |                    |                     |  |                   |                     |                   |
| Cash and pooled investments                 | \$ 24,819          | \$ 128,664          | \$ 81,864                                  | \$ 159,548        | \$ 24,453           | \$ 419,348        |
| Receivables:                                |                    |                     |  |                   |                     |                   |
| Property Tax:                               |                    |                     |  |                   |                     |                   |
| Delinquent                                  | 795                | -                   | 2,158                                      | 1,700             | -                   | 4,653             |
| Succeeding year                             | 80,000             | -                   | 114,848                                    | 101,878           | -                   | 296,726           |
| Accounts                                    | -                  | -                   | -  | -                 | 1,143               | 1,143             |
| <b>Total Assets</b>                         | <b>\$ 105,614</b>  | <b>\$ 128,664</b>   | <b>\$ 198,870</b>                          | <b>\$ 263,126</b> | <b>\$ 25,596</b>    | <b>\$ 721,870</b> |
| <b>Liabilities &amp; Fund Equity</b>        |                    |                     |  |                   |                     |                   |
| Liabilities:                                |                    |                     |  |                   |                     |                   |
| Excess of warrants issued over bank balance | \$ -               | \$ -                | \$ -                                       | \$ 32,577         | \$ -                | \$ 32,577         |
| Accounts payable                            | -                  | 4,678               | 6,247                                      | -                 | -                   | 10,925            |
| Deferred Revenue:                           |                    |                     |  |                   |                     |                   |
| Succeeding year property tax                | 80,000             | -                   | 114,848                                    | 101,878           | -                   | 296,726           |
| Total Liabilities                           | \$ 80,000          | \$ 4,678            | \$ 121,095                                 | \$ 134,455        | \$ -                | \$ 340,228        |
| Fund Equity:                                |                    |                     |  |                   |                     |                   |
| Reserved fund balances                      | \$ 25,614          | \$ -                | \$ -                                       | \$ 128,671        | \$ -                | \$ 154,285        |
| Unreserved fund balances                    | -                  | 123,986             | 77,775                                     | -                 | 25,596              | 227,357           |
| Total Fund Balance                          | \$ 25,614          | \$ 123,986          | \$ 77,775                                  | \$ 128,671        | \$ 25,596           | \$ 381,642        |
| <b>Total Liabilities &amp; Fund Equity</b>  | <b>\$ 105,614</b>  | <b>\$ 128,664</b>   | <b>\$ 198,870</b>                          | <b>\$ 263,126</b> | <b>\$ 25,596</b>    | <b>\$ 721,870</b> |

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds

Year Ended June 30, 2004

|   | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service | Capital<br>Projects | Total      |
|---|--------------------|---------------------|--|-----------------|---------------------|------------|
| Revenues:   |                    |                     |  |                 |                     |            |
| Local Sources:  |                    |                     |  |                 |                     |            |
| Local tax   | \$ 50,050          | \$ -                | \$ 141,185                                 | \$ 108,893      | \$ -                | \$ 300,128 |
| Other   | 284                | 233,237             | 1,282                                      | 2,872           | 14,853              | 252,528    |
| State sources   | 44                 | -                   | 122  | 100             | -                   | 266        |
| Total Revenues  | \$ 50,378          | \$ 233,237          | \$ 142,589                                 | \$ 111,865      | \$ 14,853           | \$ 552,922 |
| Expenditures:   |                    |                     |  |                 |                     |            |
| Current:  |                    |                     |  |                 |                     |            |
| Instruction:  |                    |                     |  |                 |                     |            |
| Regular instruction   | \$ 20,637          | \$ -                | \$ 29,941                                  | \$ -            | \$ -                | \$ 50,578  |
| Special instruction   | -                  | -                   | -  | -               | -                   | -          |
| Other instruction   | -                  | 237,302             | -  | -               | -                   | 237,302    |
| Support services:   |                    |                     |  |                 |                     |            |
| Administration services   | 6,004              | -                   | -  | -               | -                   | 6,004      |
| Operation and<br>maintenance of plant<br>services               | 35,856             | -                   | -  | -               | -                   | 35,856     |
| Transportation services   | 16,370             | -                   | 66,703                                     | -               | -                   | 83,073     |
| Central support services  | -                  | -                   | -  | -               | -                   | -          |
| Non-instructional<br>programs                                   | 3,077              | -                   | -  | -               | -                   | 3,077      |
| Other expenditures:   |                    |                     |  |                 |                     |            |
| Facilities acquisition  | -                  | -                   | 49,457                                     | -               | 18,794              | 68,251     |
| Long-term debt:   |                    |                     |  |                 |                     |            |
| Principal   | -                  | -                   | -  | 75,000          | -                   | 75,000     |
| Interest & other charges  | -                  | -                   | -  | 29,172          | -                   | 29,172     |
| Total Expenditures  | \$ 81,944          | \$ 237,302          | \$ 146,101                                 | \$ 104,172      | \$ 18,794           | \$ 588,313 |
| Excess (deficiency) of<br>revenues over (under)<br>expenditures | \$ -31,566         | \$ -4,065           | \$ -3,512                                  | \$ 7,693        | \$ -3,941           | \$ -35,391 |
| Fund balances beginning<br>of year, as restated                 | 57,180             | 128,051             | 81,287                                     | 120,978         | 29,537              | 417,033    |
| Fund Balances End of Year                                       | \$ 25,614          | \$ 123,986          | \$ 77,775                                  | \$ 128,671      | \$ 25,596           | \$ 381,642 |

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

| Account                      | Balance<br>Beginning<br>Of Year | Revenues<br>and<br>Inter-fund<br>Transfers | Expenditures | Intra-<br>Fund<br>Transfers | Balance<br>End of<br>Year |
|------------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Art Club                     | \$ 93                           | \$ -                                       | \$ -         | \$ -                        | \$ 93                     |
| Annual                       | -2,896                          | 4,445                                      | 1,407        | -                           | 142                       |
| Athletics                    | 29,447                          | 5,715                                      | 16,208       | -                           | 18,954                    |
| Band uniforms                | 1,447                           | 727  | 769          | -                           | 1,405                     |
| Band                         | 1,656                           | 2,347                                      | 1,475        | -                           | 2,528                     |
| Interest income              | 14,066                          | 780  | 1,352        | -                           | 13,494                    |
| Vocal music                  | 4,431                           | 5,389                                      | 4,940        | -                           | 4,880                     |
| Musical                      | 1,595                           | 3,378                                      | 2,633        | -                           | 2,340                     |
| Music trip                   | 12,397                          | 27,854                                     | 38,762       | -                           | 1,489                     |
| Cheerleaders                 | 1,603                           | 1,817                                      | 2,310        | -                           | 1,110                     |
| Speech                       | 990                             | 5  | 149          | -                           | 846                       |
| Drama                        | 1,087                           | -  | 453          | -                           | 634                       |
| Cross Country                | -                               | 1,972                                      | 1,972        | -                           | -                         |
| Tennis                       | -                               | 175  | 175          | -                           | -                         |
| Golf                         | -                               | 6  | 6            | -                           | -                         |
| Boys basketball              | -                               | 5,963                                      | 5,963        | -                           | -                         |
| Football                     | -                               | 14,002                                     | 14,002       | -                           | -                         |
| Baseball                     | -                               | 1,607                                      | 1,607        | -                           | -                         |
| Boys track                   | -                               | 3,509                                      | 3,509        | -                           | -                         |
| Wrestling                    | -                               | 2,380                                      | 2,380        | -                           | -                         |
| Girls basketball             | -                               | 5,011                                      | 5,011        | -                           | -                         |
| Volleyball                   | -                               | 9,303                                      | 9,303        | -                           | -                         |
| Softball                     | -                               | 1,218                                      | 1,218        | -                           | -                         |
| Girls track                  | -                               | 4,858                                      | 4,858        | -                           | -                         |
| Student Council              | 2,044                           | 1,596                                      | 2,518        | -                           | 1,122                     |
| Junior/Senior Prom           | 932                             | 10,997                                     | 10,759       | -                           | 1,170                     |
| Concessions                  | 203                             | 31,232                                     | 31,374       | -                           | 61                        |
| National Honor Society       | 4,027                           | 4,047                                      | 3,988        | -                           | 4,086                     |
| TAG-Talented & Gifted        | 719                             | -  | -            | -                           | 719                       |
| Vending machine              | 1,649                           | 4,078                                      | 5,250        | -                           | 477                       |
| Athletic towel service       | 7,549                           | 728  | 1,172        | -                           | 7,105                     |
| Dance                        | 1,211                           | -  | -            | -                           | 1,211                     |
| Secondary                    | 656                             | 1,250                                      | 200          | -                           | 1,706                     |
| Junior High                  | 8,006                           | 16,437                                     | 23,418       | -                           | 1,025                     |
| Dike Elementary              | 5,468                           | 5,055                                      | 4,224        | -                           | 6,299                     |
| New Hartford Elementary      | 2,117                           | 8,855                                      | 1,774        | -                           | 9,198                     |
| Thespians                    | 350                             | 233  | 254          | -                           | 329                       |
| SADD                         | 33                              | 300  | 287          | -                           | 46                        |
| Booster Club                 | 670                             | 19,115                                     | 18,644       | -                           | 1,141                     |
| Track project donations      | 11,619                          | 850  | -5,046       | -                           | 17,515                    |
| Service Learning Scholarship | 300                             | -  | 250          | -                           | 50                        |
| Football Fundraisers         | 4,699                           | 9,857                                      | 10,746       | -                           | 3,810                     |
| Volleyball Fundraisers       | 35                              | 4,328                                      | 2,412        | -                           | 1,951                     |

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

| Account                      | Balance<br>Beginning<br>Of Year | Revenues<br>and<br>Inter-fund<br>Transfers | Expenditures | Intra-<br>Fund<br>Transfers | Balance<br>End of<br>Year |
|------------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Cross County Fundraisers     | \$ -                            | \$ 1,220                                   | \$ 720       | \$ -                        | \$ 500                    |
| Boys Track Fundraisers       | -                               | 1,128                                      | 569          | -                           | 559                       |
| Wrestling Fundraisers        | -                               | 844  | -            | -                           | 844                       |
| Baseball/Softball lights     | -                               | -  | -3,000       | -                           | 3,000                     |
| Boys Basketball Fundraisers  | 34                              | 2,477                                      | 1,603        | -                           | 908                       |
| Girls Basketball Fundraisers | 298                             | 442  | 667          | -                           | 73                        |
| Softball Fundraisers         | 1,281                           | 1,656                                      | 3,166        | -                           | -229                      |
| Sound system                 | 235                             | -  | -            | -                           | 235                       |
| Bleachers                    | 8,000                           | -  | -2,000       | -                           | 10,000                    |
| JH Trip                      | -                               | 4,051                                      | 2,891        | -                           | 1,160                     |
| Total                        | \$ 128,051                      | \$ 233,237                                 | \$ 237,302   | \$ -                        | \$ 123,986                |



## Dike-New Hartford Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Three Years

|   | Modified Accrual Basis |                     |                     |
|---|------------------------|---------------------|---------------------|
|   | <u>2004</u>            | <u>2003</u>         | <u>2002</u>         |
| Revenues:                                   |                        |                     |                     |
| Local Sources:                              |                        |                     |                     |
| Local tax                                   | \$ 2,247,405           | \$ 2,242,402        | \$ 2,072,448        |
| Tuition                                     | 162,031                | 146,229             | 128,258             |
| Other                                       | 427,722                | 364,523             | 386,537             |
| Intermediate sources                        | -                      | -                   | 812                 |
| State sources                               | 2,967,144              | 3,093,881           | 3,101,386           |
| Federal sources                             | 111,185                | 102,216             | 85,947              |
| Total                                       | <u>\$ 5,915,487</u>    | <u>\$ 5,949,251</u> | <u>\$ 5,775,388</u> |
| Expenditures:                               |                        |                     |                     |
| Instruction:                                |                        |                     |                     |
| Regular instruction                         | \$ 2,612,838           | \$ 2,646,573        | \$ 2,525,425        |
| Special instruction                         | 770,373                | 748,088             | 754,993             |
| Other instruction                           | 632,666                | 546,948             | 534,410             |
| Support services:                           |                        |                     |                     |
| Student services                            | 125,028                | 133,914             | 152,974             |
| Instructional staff services                | 141,705                | 173,370             | 156,379             |
| Administrative services                     | 609,410                | 578,948             | 546,863             |
| Operation and maintenance of plant services | 479,204                | 418,167             | 410,961             |
| Transportation services                     | 302,886                | 265,706             | 258,442             |
| Central support services                    | 3,082                  | 6,324               | 6,176               |
| Non-instructional programs                  | 3,077                  | 2,900               | 2,388               |
| Other expenditures:                         |                        |                     |                     |
| Facilities acquisition                      | 68,251                 | 33,826              | 86,896              |
| Long-term debt:                             |                        |                     |                     |
| Principal                                   | 75,000                 | 885,000             | 55,000              |
| Interest and other charges                  | 29,172                 | 59,060              | 50,620              |
| AEA flow-through                            | 221,107                | 236,459             | 236,821             |
| Total                                       | <u>\$ 6,073,799</u>    | <u>\$ 6,735,283</u> | <u>\$ 5,778,348</u> |

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance  
And on Internal Control over Financial Reporting**

Keith Oltrogge CPA  
201 East Main Street  
Denver IA 50622

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the financial statements of Dike-New Hartford Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 6, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items II-B-04 and II-K-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Dike-New Hartford Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read "Keith Oltrogge".

Keith Oltrogge  
Certified Public Accountant

August 6, 2004

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.



**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories - Official Depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The District should insure that all minutes are published as required.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

II-K-04 Financial Condition – One student activity account had a deficit balance at June 30, 2004.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student activity account at the end of the fiscal year.

Conclusion – Response accepted.